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25 July 1985

TO : Senate Committee on Governmental Affairs
Senate Subcommittee on Civil Service, Post Office and
General Services

FROM : Dennis Snook, Leader
Civil Service Retirement Team

SUBJECT : CRS Analysis of the Stevens-Roth Plan for a Retirement
System for Federal Workers Covered by Social Security

As you requested, the following report presents costs and benefit projections for a Civil Service Retirement plan for Federal employees who became covered by social security as a result of the Social Security Amendments of 1983. The plan was developed under the guidance of Senators Ted Stevens and William Roth, Chairmen of the Subcommittee on Civil Service, Post Office, and General Services, and of the full Committee on Governmental Affairs, respectively. Details of the plan were devised by the committee staffs.

The report does not address arguable pros and cons of this plan, its effect upon the Federal workforce, or the sensitivity of the capital accumulation component to investment vehicles with rates of return different from those assumed for the basic cost projections. The analysis is confined to "new" Federal workers, those who started work after December 31, 1983. It assumes that other Federal workers will remain in the old CSRS. All projections are accomplished using an "entry age normal cost" actuarial approach for new workers.

12 AUG 1985

*File Copy
Annuity Comparisons*

Comparison of Stevens/Roth Benefits with CIARDS

Employee Entering in 1985 and Retiring/ at age 50 with 25 Years Service

Calculated in terms of 1985 Salary Scale

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$23,983	\$31,660	\$59,230	\$68,700

I. Stevens/Roth Plan

A. Initial benefits

1. Defined benefit	\$4,395	\$5,990	\$8,003	\$13,133
2. Defined contribution	\$3,450	\$4,897	\$10,011	\$9,116
3. Social security and supplement from 55 to 62	\$3,717	\$4,875	\$4,875	\$4,875

B. Total benefit*

1. At 50	\$7,845	\$10,888	\$18,013	\$22,250
2. At 55	\$10,534	\$14,326	\$20,351	\$24,263
3. At 75	\$7,691	\$10,363	\$13,508	\$16,300

C. Without defined contribution

1. At 50	\$4,395	\$5,990	\$8,003	\$13,133
2. At 55	\$7,698	\$10,301	\$12,123	\$16,770
3. At 75	\$6,396	\$8,526	\$9,753	\$12,880

II. Benefit from CIARDS
it fully indexed

1. At 50	\$11,269	\$15,019	\$20,105	\$32,590
2. At 55	\$11,269	\$15,019	\$20,105	\$32,590
3. At 75	\$11,269	\$15,019	\$20,105	\$32,590

*Benefit if employee could and did contribute 5% of salary for all years of service.

Comparison of Stevens/Roth Benefits with CSRS

Employee Entering in 1985 and Retiring at age 55 with 30 Years Service

Calculated in terms of 1985 Salary Scale

Grade at retirement	GS-9	GS-11	GS-15	SES
Final salary on 1985 scale	\$26,163	\$33,419	\$62,714	\$68,700

I. Stevens/Roth Plan

A. Initial Benefits

1. Defined benefit	\$5,888	\$7,653	\$14,430	\$15,970
2. Defined contribution	\$4,798	\$6,690	\$11,339	\$12,754
3. Social security	\$4,866	\$5,614	\$5,850	\$5,850

B. Total benefit*

1. At 55	\$10,686	\$14,342	\$25,769	\$28,725
2. At 62	\$13,639	\$17,360	\$27,029	\$29,445
3. At 80	\$10,255	\$12,788	\$18,899	\$20,369

C. Without defined contribution

1. At 55	\$5,888	\$7,653	\$14,430	\$15,970
2. At 62	\$9,992	\$12,277	\$18,412	\$19,753
3. At 80	\$8,455	\$10,279	\$14,645	\$15,584

II. Benefit from CSRS
if fully indexed

1. At 55	\$13,689	\$17,687	\$33,470	\$36,664
2. At 62	\$13,689	\$17,687	\$33,470	\$36,664
3. At 80	\$13,689	\$17,687	\$33,470	\$36,664

*Benefit if employee could and did contribute 5% of salary for all years of service.

08/09/85

Comparison of Stevens/Roth Benefits with CIARDS

Employee Entering in 1985 and Retiring at age 55 with 30 Years Service

Calculated in terms of 1985 Salary Scale

Grade at retirement	GS-9	GS-11	GS-15	SES
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Final salary on 1985 scale	\$26,163	\$33,419	\$62,714	\$68,700

I. Stevens/Roth Plan

A. Initial benefits

1. Defined benefit	\$7,851	\$10,204	\$19,240	\$21,294
2. Defined contribution	\$4,798	\$6,690	\$11,339	\$12,754
3. Social security and supplement to 62	\$4,866	\$5,614	\$5,850	\$5,850

B. Total benefit*

1. At 55	\$17,515	\$22,508	\$36,429	\$39,898
2. At 62	\$15,347	\$19,581	\$31,216	\$34,080
3. At 80	\$11,451	\$14,343	\$21,831	\$23,614

C. Without defined contribution

1. At 55	\$12,717	\$15,818	\$25,090	\$27,144
2. At 62	\$11,701	\$14,497	\$22,599	\$24,388
3. At 80	\$9,652	\$11,834	\$17,577	\$18,829

II. Benefit from CIARDS
if fully indexed

1. At 55	\$14,625	\$18,866	\$35,701	\$39,108
2. At 62	\$14,625	\$18,866	\$35,701	\$39,108
3. At 80	\$14,625	\$18,866	\$35,701	\$39,108

*Benefit if employee could and did contribute 5% of salary for all year of service.

Table 1

Senate Option A

CIARDS Employee Age 50 with 25 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 50					
Pension	22%	22%	22%	22%	22%
Supplement	18%	14%	10%	8%	6%
Subtotal	40%	36%	32%	30%	28%
Full CAP	10%	10%	10%	10%	10%
Total	50%	46%	42%	40%	38%
Replacement rate at 62					
Pension	16%	16%	16%	16%	16%
Supplement	19%	15%	11%	9%	7%
Subtotal	35%	31%	27%	25%	23%
Full CAP	10%	10%	10%	10%	10%
Total	45%	41%	37%	35%	33%
Current CIARDS	47%	47%	47%	47%	47%

Summary of proposal:

One percent times high-five salary times service.
 Supplement payable from retirement to age 62.
 No indexing to 55; CPI less 2% to 67; full indexing after 67.
 CAP matches 100% up to 5% of salary. Full CAP rates above
 are based on 5% employee contribution with 100% match.

Edwin C. Hustead

Hay/Huggins Company Inc.

05-Nov-85

Table 2

Senate Option B

CIARDS Employee Age 50 with 25 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 50					
Pension	22%	22%	22%	22%	22%
Supplement	18%	14%	10%	8%	6%
Subtotal	40%	36%	32%	30%	28%
Full CAP	9%	9%	9%	9%	9%
Total	49%	45%	41%	39%	37%
Replacement rate at 62					
Pension	17%	17%	17%	17%	17%
Supplement	19%	15%	11%	9%	7%
Subtotal	36%	32%	28%	26%	24%
Full CAP	9%	9%	9%	9%	9%
Total	45%	41%	37%	35%	33%
Current CIARDS	47%	47%	47%	47%	47%

Summary of proposal:

.9 percent for first 15 years plus 1.1 percent for later years times high-five salary.

Supplement payable from retirement to age 62.

Indexing of CPI less 2% to age 62 and full after 62.

CAP matches variable amounts up to 6% of salary. Full CAP rates above are based on 6% employee contribution with match.

Edwin C. Hustead

Hay/Huggins Company Inc.

05-Nov-85

Table 3

Ford/Oakar Proposal

CIARDS Employee Age 50 with 25 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 50					
Pension	39%	39%	39%	39%	39%
Supplement	18%	14%	10%	8%	6%
Subtotal	57%	53%	49%	47%	45%
Full CAP	9%	9%	9%	9%	9%
Total	66%	62%	58%	56%	54%

Replacement rate at 62

Pension	39%	39%	39%	39%	39%
Supplement	19%	15%	11%	9%	7%
Subtotal	58%	54%	50%	48%	46%
Full CAP	9%	9%	9%	9%	9%
Total	67%	63%	59%	57%	55%

Current CIARDS	47%	47%	47%	47%	47%
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Summary of proposal:

1.7 percent for first 20 years plus 1.5 percent for later years times high-three salary.

Supplement payable from retirement to age 62.

Full indexing.

CAP matches 50% up to 6% of salary. Full CAP rates above are based on 6% employee contribution with 50% match.

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Hay/Huggins Company Inc.

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Table 4

Senate Option A

CSRS Employee age 55 with 30 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 55					
Pension	23%	23%	23%	23%	23%
Supplement	0%	0%	0%	0%	0%
Subtotal	23%	23%	23%	23%	23%
Full CAP	15%	15%	15%	15%	15%
Total	38%	38%	38%	38%	38%
Replacement rate at 62					
Pension	18%	18%	18%	18%	18%
Supplement	22%	17%	13%	10%	8%
Subtotal	40%	35%	31%	28%	26%
Full CAP	15%	15%	15%	15%	15%
Total	55%	50%	46%	43%	41%
Current CSRS	53%	53%	53%	53%	53%

Summary of proposal:

.9 percent for first 15 years plus 1.1 percent for later years times high-five salary.

No indexing to 62; CPI less 2% to 67; full indexing after 67.

CAP matches 100% up to 5% of salary. Full CAP rates above are based on 5% employee contribution with 100% match.

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Hay/Huggins Company Inc.

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Table 5

Senate Option B

CSRS Employee age 55 with 30 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 55					
Pension	27%	27%	27%	27%	27%
Supplement	0%	0%	0%	0%	0%
Subtotal	27%	27%	27%	27%	27%
Full CAP	13%	13%	13%	13%	13%
Total	40%	40%	40%	40%	40%
Replacement rate at 62					
Pension	24%	24%	24%	24%	24%
Supplement	22%	17%	13%	10%	8%
Subtotal	46%	41%	37%	34%	32%
Full CAP	13%	13%	13%	13%	13%
Total	59%	54%	50%	47%	45%
Current CSRS	53%	53%	53%	53%	53%

.9 percent for first 15 years plus 1.1 percent for later years.
 times high-five salary.
 Indexing of CPI less 2% to age 62 and full after 62.
 CAP matches variable amounts up to 6% of salary. Full CAP rates
 above are based on 6% employee contribution with match.

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05-Nov-85

Table 6

Ford/Oakar Proposal

CSRS Employee age 55 with 30 Years Service

Final salary	\$15,000	\$30,000	\$45,000	\$60,000	\$75,000
Replacement rate at 55					
Pension	28%	28%	28%	28%	28%
Supplement	22%	16%	12%	9%	8%
Subtotal	50%	44%	40%	37%	36%
Full CAP	14%	14%	14%	14%	14%
Total	64%	58%	54%	51%	50%
Replacement rate at 62					
Pension	28%	28%	28%	28%	28%
Supplement	22%	17%	13%	10%	8%
Subtotal	50%	45%	41%	38%	36%
Full CAP	14%	14%	14%	14%	14%
Total	64%	59%	55%	52%	50%
Current CSRS	53%	53%	53%	53%	53%

Summary of proposal:

One percent times high-three salary times service.

Full indexing.

CAP matches 50% up to 6% of salary. Full CAP rates above
are based on 6% employee contribution with 50% match.

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Hay/Huggins Company Inc.

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